

MINUTES
Michigan Craft Beverage Council
December 13, 2018
Founders Brewing Company, Grand Rapids MI

Council Members Present:

Gordon Wenk, Michigan Department of Agriculture & Rural Development
Dustin Stabile, Mackinaw Trail Winery
Brian Lesperance, Fenn Valley Vineyard & Winery
Jim Holton, Mountain Town Station Restaurant & Brew Pub
Rosalind Mayberry, D&W Fresh Market
Mike Beck, Uncle Johns Cider Mill
Scott Graham, Michigan Brewers Guild
Brad Stevenson, Founders Brewing Company
Richard Anderson, Iron Fish Distillery
Zachary Owen, Temperance Distilling

Others Present:

Sherri Goodreau, Michigan Craft Beverage Council
Karel Bush, Michigan Craft Beverage Council
Peter Anastor, MDARD
Ken McFarlane, MDARD

Welcome and Introductions

The meeting was called to order by Council Chair Gordon Wenk at 1:30 p.m.

Agenda for the December 13, 2018 Meeting

**MOTION: MIKE BECK MOVED TO APPROVE THE AGENDA FOR DECEMBER 13, 2018.
JIM HOLTON SECONDED. MOTION CARRIED UNANIMOUSLY.**

Minutes of the November 20, 2018 Meeting

**MOTION: JIM HOLTON MOVED THE COUNCIL APPROVE THE MINUTES OF THE
NOVEMBER 20, 2018 MEETING. ZACHARY OWEN SECONDED. MOTION CARRIED
UNANIMOUSLY.**

Introductions and Council Member Comments

Jim Holton - Preparing for the busy holiday season.

Mike Beck - A package of bills that will impact the craft beverage industry were passed by the House last night and are waiting for the Governor's signature.

Zachary Owen - Alternative packaging and single use product packaging continue to grow.

Scott Graham - Watching the beverage bills that affect our industry

Dustin Stabile - The Bay View Wine Trail received a \$100,000 grant from MDARD for marketing. We are rebranding the trail and changing the name to the Petoskey Wine Region. A marketing firm has been hired to help with the rebranding.

Brad Stevenson - Founders is busy this time of year. Retail marketing is important right now. We now have distribution in the state of Colorado. The only states we don't distribute in are Hawaii, Wyoming and Utah.

Roz Mayberry - Retailers are wondering if May will still be Michigan Wine Month

Brian Lesperance - I'm sharing Mike Beck's happiness regarding the beverage bills being passed. Fenn Valley had a pretty good harvest this year, though the weather made it a short one. It's time to move on to winter projects.

Richard Anderson – A bill has been introduced that would provide a specific tax break for small distillers, contingent on MLCC seeing overall growth. We are sourcing grain from Michigan, as well as fruit and sugar beets.

Council Priorities

Brad Stevenson asked for a status report on previous multi-year grants that the Grape & Wine Industry Council funded. Chair Wenk noted that Doug Buhler will call in at 3:00 pm to discuss Project GREEN support of MGWIC-funded projects.

Richard Anderson - The last conversations determined the council is sitting on a multi-cultural sector that shares some common platforms. Some things we share; some are distinct. Priority is to leverage outreach to all sectors. What moves the needle for this larger sector?

Brad Stevenson - What resources are there through the Department of Agriculture and Rural Development to inform hops, barley and fruit growers of grant opportunities? We need to raise awareness to other growers and collect their thoughts on developing a strategic direction for the Council. Karel responded that the RFP will be sent through MDARD channels and she expects that MCBC members will also send it out to their contacts. Brad suggested a press release issued by the MCBC with basic information about what the council will do.

Brad also suggested water usage in the industry as a priority for the Council – it is a common factor that is shared by all sectors of the industry. There are inconsistent practices in the field that need to be clarified – perhaps an FAQ targeted to municipalities and townships

Jim Holton - Getting restaurants to purchase locally for all craft beverages. Brad responded that promotion is a priority and noted the Michigan Brewers Guild has done a great job promoting their industry over the years.

Dustin Stabile asked if the Council will have money for promotion. Karel Bush explained if promotion is a priority for the Council, then money needs to be allocated for it.

Karel Bush - The MCBC can apply for Specialty Crop Block Grants through the USDA Farm Bill. Eligible crops are hops, wine grapes, cider apples, cherries and other fruits. Most grains are not eligible for SCBG funding.

Peter Anastor provided a summary of the other types of grants funded and/or managed through the Michigan Department of Agriculture and Rural Development:

- Value Added & Regional Food Systems: promoting small and medium businesses; funding comes from the General Fund
- Rural Development Fund: 2017 was first year, broad in use, infrastructure, business development, capacity building, work force and development training. Some counties are not eligible.

- Food and Agriculture Investment Program: an incentive program for projects that help expand food and ag processing.
- Mike Beck commented that the North Central Regional Center for Rural Development grant has many eligibility levels. Grains would qualify.
- MDARD starts the process for funding MDARD's grant programs by adding it to the fiscal year budget, and legislators make the decision to fund. Strong presence for Agriculture Development in Joint Evaluation Committees.

Specialty Crop Block Grant RFP will be issued in January with a February 27 deadline. Karel is looking for ideas for grants that she can submit proposals for. The Council can submit two proposals. Discussion took place on individual grants

2019 Proposed Budget (Attachment A)

Gordon explained the three-year budget process. Every third year there is a bump in revenue due to special licenses that are renewed every three years.

Mike Beck commented that overhead was a big issue for Mike in the past. He felt there is a disproportionate amount of funding going into the Department instead of coming out.

Karel clarified that the MCBC guiding legislation allowed for \$80,000 to administer a grant program, but Council members have expressed a desire to do more than just fund a grant program. The \$80,000 could be rolled into MDARD for administration through the Department's grant program, but there would be no staff to do anything else.

Discussion took place over the budget and administrative costs of the Council. The Grape and Wine Industry Council had three full-time staff members. That number has been reduced to one-and-one-half staff for the Craft Beverage Council.

MOTION: ZACHARY OWEN MOVED TO MOVE \$177,170 FROM THE CARRY FORWARD BALANCE TO THE 2019 OPERATIONS BUDGET, WITH \$88,585 TO BE USED FOR RESEARCH GRANTS AND \$88,585 ADDED TO FUNDING FOR OTHER PROJECTS. DUSTIN STABILE SECONDED. MOTION CARRIED UNANIMOUSLY.

Research Grants

Doug Buhler and Ron Bates from MSU AgBio Research joined in the meeting via telephone. Doug described Project GREEN, which is a funding source created 20 years ago. It is a coalition of industry leaders and the Michigan Department of Agriculture and Rural Development. It is a direct line item in MSUE budget totaling \$8.5 million.

Doug informed the Council that MSU AgBio Research and MSU Extension have approved funding for two of the existing grants that the Grape and Wine Industry Council previously funded. The following will receive funding needed to continue their work: Rufus Isaacs for reducing harvest losses to late season insects and their associated diseases; and Paolo Sabbatini and Thomas Todaro for canopy management, leaf pulling and Extension activities. Doug also noted that MSU is looking for a new viticulturist for Southwest Michigan.

Priorities

Karel reviewed the priorities set forth by the legislation of the Craft Beverage Council. Doug Buhler suggested the new Council use the legislative priorities for the first year and build on those moving forward – asking the industries to submit priorities for the future. Doug also offered Project GREEN's criteria for creating the Joint Evaluation Committee (JEC) for reviewing grant proposals. Project GREEN sets funding caps – different amounts for different

types of grants. There was discussion on whether to set funding caps for the MCBC grant proposals.

With the additional amount from the MGWIC carry-forward, total research grant budget for fiscal year 2019 is \$358,585.

Richard Anderson asked about funding market research for grains.

MOTION: RICHARD ANDERSON MOVED THE COUNCIL SET A \$50,000 FUNDING CAP FOR GRANTS FUNDED BY THE MICHIGAN CRAFT BEVERAGE COUNCIL. MIKE BECK SECONDED. MOTION CARRIED UNANIMOUSLY.

Match funding will not be required for grant proposals but will be used as a factor in scoring. The RFP must include a statement regarding this.

MOTION: RICHARD ANDERSON MOVED TO DIRECT STAFF TO RESEARCH OPTIONS FOR CONDUCTING AN IN-DEPTH ANALYSIS INTO PRIORITIES THAT BENEFIT ALL CRAFT BEVERAGE SECTORS, TAKING A STRATEGIC LOOK AT WHERE THE INDUSTRY IS NOW AND WHERE IT IS HEADED IN THE FUTURE. ONE OPTION TO CONSIDER IS INCLUDING THE PROJECT IN THE REQUEST FOR PROPOSALS FOR COUNCIL-FUNDED RESEARCH GRANTS FOR 2019. BRIAN LESPERANCE SECONDED. MOTION CARRIED UNANIMOUSLY.

Karel asked the Council for volunteers for the Joint Evaluation Committee. Members will also serve on the Research Subcommittee.

Council members who will serve on the Research Committee and Research Grant JEC: Dustin Stabile, Brad Stevenson, Richard Anderson, and Mike Beck. Doug Buhler will be invited to participate on both committees.

Mike Beck asked Ron Bates if the amount of administrative overhead can be reduced to zero percent for the MSU grants. Ron stated that the council can request a change through the Request for Proposal (RFP) process. Karel will follow up with MSU regarding this.

MOTION: SCOTT GRAHAM MOVED THAT THE COUNCIL REQUEST OVERHEAD COSTS FROM MICHIGAN STATE UNIVERSITY BE SET AT ZERO PERCENT FOR THE CRAFT BEVERAGE GRANTS. MIKE BECK SECONDED. MORE DISCUSSION TOOK PLACE BEFORE FINAL VOTE. MOTION CARRIED UNANIMOUSLY.

Additional discussion took place regarding the quality of the proposals should the overhead costs be reduced. Ron Bates assured the council that the quality of proposals would not be hindered.

The following volunteers were selected for the Promotion Committee: Roz Mayberry, Brian Lesperance, Jim Holton.

Karel commented that previous committees included additional industry members who are not council members. She will request recommendations from the Council and recruit additional members.

2019 Meeting Dates

Karel Bush reported the Grape and Wine Industry Council met quarterly for council meetings. The Craft Beverage Council can do the same if they choose.

Suggested meeting dates for 2019:

- Tuesday, April 16, 1:00pm, Iron Fish Distillery, Thompsonville (funding for research proposals will be approved at this meeting)
- Wednesday, July 10, 1:00pm, Temperance Distilling, Temperance
- Wednesday, October 9, 1:00pm, Mountain Town Brewery and Restaurant, Mt Pleasant

MOTION: DUSTIN STABILE MOVED THE COUNCIL APPROVE THE SUGGESTED MEETING DATES FOR 2019. MIKE BECK SECONDED. MOTION CARRIED UNANIMOUSLY.

Public Comment

There was no public comment.

Gordon thanked the members for volunteering to serve on the Michigan Craft Beverage Council. This will be Gordon's last meeting as Chair of the council.

Adjourn

MOTION: JIM HOLTON MOVED TO ADJOURN THE MEETING OF THE MICHIGAN CRAFT BEVERAGE COUNCIL. ZACH OWEN SECONDED. MOTION CARRIED UNANIMOUSLY.

The meeting adjourned at 4:31 p.m.

Attachments:

- A. Proposed Budget for fiscal year 2019